



TOWNSHIP OF CLYDE  
Allegan County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Clyde	<b>County</b> Allegan
<b>Audit Date</b> March 31, 2005	<b>Opinion Date</b> September 9, 2005	<b>Date Accountant Report Submitted to State:</b> September 16, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.		<b>Zip</b> 48707	

TOWNSHIP OF CLYDE  
Allegan County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

September 9, 2005

To the Township Board  
Township of Clyde  
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Clyde, Allegan County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Clyde's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Clyde, Allegan County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF CLYDE  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Clyde covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$1,134,028.71 for governmental activities.

Overall revenues were \$481,229.82 from governmental activities. Governmental activities had a \$140,513.53 increase in net assets.

We did not incur any new debt during the year and purchased \$92,159.00 in capital assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Cemetery Perpetual Care Fund, and the Current Tax Collection Fund.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets increased \$140,513.53 during the year ended March 31, 2005, totaling \$1,134,028.71.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund pays for most of the Township's governmental services with total expenditures of \$412,070.17.

Cemetery Fund: This fund is used to record revenues and expenses for maintaining and operating Pearl Cemetery.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$92,159.00 in capital assets.

The Township has no long-term debt as of March 31, 2005.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact Chris McKellips, Township Clerk, or Robert Larsen, Township Treasurer, during regular business hours.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	764 839 29
Investments	46 284 37
Taxes receivable	<u>50 409 56</u>
Total Current Assets	<u>861 533 22</u>
NON-CURRENT ASSETS:	
Capital Assets	463 543 00
Less: Accumulated Depreciation	<u>(188 997 01)</u>
Total Non-current Assets	<u>274 545 99</u>
TOTAL ASSETS	<u><u>1 136 079 21</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>2 050 50</u>
Total Current Liabilities	<u>2 050 50</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>2 050 50</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	274 545 99
Unrestricted	<u>859 482 72</u>
Total Net Assets	<u>1 134 028 71</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 136 079 21</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	21 532 95	-	(21 532 95)
General government	95 305 34		(64 644 48)
Public safety	149 537 33	30 660 86	(145 407 38)
Public works	74 340 67	4 129 95	(61 440 63)
		12 900 04	
Total Governmental Activities	<u>340 716 29</u>	<u>47 690 85</u>	<u>(293 025 44)</u>
General Revenues:			
Property taxes			244 409 17
Other taxes			15 730 22
State revenue sharing			160 636 32
Interest			7 559 63
Miscellaneous			5 203 63
Total General Revenues			<u>433 538 97</u>
Change in net assets			140 513 53
Net assets, beginning of year			<u>993 515 18</u>
Net Assets, End of Year			<u>1 134 028 71</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF CLYDE  
Allegan County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Cash in bank	750 544 26	14 128 81	764 673 07
Investments	46 284 37	-	46 284 37
Taxes receivable	50 409 56	-	50 409 56
Due from other funds	166 22	-	166 22
Total Assets	<u>847 404 41</u>	<u>14 128 81</u>	<u>861 533 22</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	2 050 50	-	2 050 50
Total liabilities	<u>2 050 50</u>	<u>-</u>	<u>2 050 50</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	845 353 91	14 128 81	859 482 72
Total fund equity	<u>845 353 91</u>	<u>14 128 81</u>	<u>859 482 72</u>
Total Liabilities and Fund Equity	<u>847 404 41</u>	<u>14 128 81</u>	<u>861 533 22</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

859 482 72

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost  
Accumulated depreciation

463 543 00  
(188 997 01)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

1 134 028 71

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2005

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	244 409 17		244 409 17
Other taxes	15 730 22	-	15 730 22
Licenses and permits	1 392 00	-	1 392 00
State revenue sharing	160 636 32	-	160 636 32
Charges for services – PTAF	17 822 86	-	17 822 86
Charges for services – other	14 437 95	1 450 00	15 887 95
Interest	7 471 45	88 18	7 559 63
Special assessments	12 588 04	-	12 588 04
Miscellaneous	5 203 63	-	5 203 63
Total revenues	<u>479 691 64</u>	<u>1 538 18</u>	<u>481 229 82</u>
Expenditures:			
Legislative:			
Township Board	21 532 95	-	21 532 95
General government:			
Supervisor	12 407 16	-	12 407 16
Elections	6 151 09	-	6 151 09
Assessor	21 719 59	-	21 719 59
Clerk	16 526 76	-	16 526 76
Board of Review	1 227 48	-	1 227 48
Treasurer	15 247 06	-	15 247 06
Building and grounds	9 128 70	-	9 128 70
Cemetery	7 102 38	-	7 102 38
Public safety:			
Ambulance	10 191 73	-	10 191 73
Fire protection	87 665 11	-	87 665 11
Police protection	20 171 38	-	20 171 38
Zoning inspector	3 363 75	-	3 363 75
Planning and zoning	13 135 36	-	13 135 36
Public works:			
Highways and streets	59 143 23	-	59 143 23
Street lights	1 805 84	-	1 805 84
Sanitation	13 391 60	-	13 391 60
Capital outlay	92 159 00	-	92 159 00
Total expenditures	<u>412 070 17</u>	<u>-</u>	<u>412 070 17</u>
Excess (deficiency) of revenues over expenditures	67 621 47	1 538 18	69 159 65
Fund balances, April 1	<u>777 732 44</u>	<u>12 590 63</u>	<u>790 323 07</u>
Fund Balances, March 31	<u>845 353 91</u>	<u>14 128 81</u>	<u>859 482 72</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 69 159 65

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(20 805 12)
Capital Outlay	<u>92 159 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>140 513 53</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Clyde, Allegan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Clyde. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

This fund is used to account for perpetual care of the cemetery.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 5.3603 mills, and the taxable value was \$45,804,055.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	5-35 years
Equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$274,545.99.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

Total Deposits

Carrying  
Amounts

764 839 29



TOWNSHIP OF CLYDE  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	300 000 00
Uninsured and Uncollateralized	<u>465 968 43</u>
Total Deposits	<u><u>765 968 43</u></u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>46 284 37</u>
Total Investments				<u><u>46 284 37</u></u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF CLYDE  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	21 169 00	3 306 00	-	24 475 00
Buildings	110 158 00	-	-	110 158 00
Equipment	240 057 00	88 853 00	-	328 910 00
Total	371 384 00	92 159 00	-	463 543 00
Accumulated Depreciation	(168 191 89)	(20 805 12)	-	(188 997 01)
Net Capital Assets	<u>203 192 11</u>	<u>71 353 88</u>	<u>-</u>	<u>274 545 99</u>

**Note 5 – Pension Plan**

The Township does not have a pension plan.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Clyde does not issue building permits.

**Note 9 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	166 22	Current Tax Collection	166 22
Total	<u>166 22</u>	Total	<u>166 22</u>

TOWNSHIP OF CLYDE  
Allegan County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	226 500 00	226 500 00	244 409 17	17 909 17
Other taxes	7 800 00	7 800 00	15 730 22	7 930 22
Licenses and permits	1 500 00	1 500 00	1 392 00	(108 00)
State revenue sharing	163 000 00	163 000 00	160 636 32	(2 363 68)
Charges for services – PTAF	9 100 00	9 100 00	17 822 86	8 722 86
Charges for services – other	9 700 00	9 700 00	14 437 95	4 737 95
Interest	7 500 00	7 500 00	7 471 45	(28 55)
Special assessments	1 000 00	1 000 00	12 588 04	11 588 04
Miscellaneous	2 500 00	2 500 00	5 203 63	2 703 63
Total revenues	428 600 00	428 600 00	479 691 64	51 091 64
Expenditures:				
Legislative:				
Township Board	32 950 00	32 950 00	21 532 95	(11 417 05)
General government:				
Supervisor	13 550 00	13 550 00	12 407 16	(1 142 84)
Elections	6 300 00	6 300 00	6 151 09	(148 91)
Assessor	31 100 00	31 100 00	21 719 59	(9 380 41)
Clerk	18 000 00	18 000 00	16 526 76	(1 473 24)
Board of Review	1 600 00	2 600 00	1 227 48	(1 372 52)
Treasurer	17 050 00	17 050 00	15 247 06	(1 802 94)
Building and grounds	12 600 00	12 600 00	9 128 70	(3 471 30)
Cemetery	9 070 00	9 070 00	7 102 38	(1 967 62)
Public safety:				
Ambulance	9 750 00	11 250 00	10 191 73	(1 058 27)
Fire protection	85 750 00	90 750 00	87 665 11	(3 084 89)
Police protection	23 600 00	23 600 00	20 171 38	(3 428 62)
Zoning inspector	7 500 00	7 500 00	3 363 75	(4 136 25)
Planning and zoning	21 550 00	21 550 00	13 135 36	(8 414 64)
Public works:				
Highways and streets	150 500 00	113 000 00	59 143 23	(53 856 77)
Street lights	1 900 00	1 900 00	1 805 84	(94 16)
Sanitation	14 200 00	15 200 00	13 391 60	(1 808 40)
Capital outlay	82 500 00	111 500 00	92 159 00	(19 341 00)
Total expenditures	539 470 00	539 470 00	412 070 17	(127 399 83)
Excess (deficiency) of revenues over expenditures	(110 870 00)	(110 870 00)	67 621 47	178 491 47
Fund balance, April 1	110 870 00	110 870 00	777 732 44	666 862 44
Fund Balance, March 31	-	-	845 353 91	845 353 91

TOWNSHIP OF CLYDE  
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2005

Township Board:	
Fees and per diem	3 295 00
Supplies	581 70
Professional services	7 330 89
Printing and publishing	775 89
Insurance	2 889 00
Payroll taxes	6 660 47
	<u>21 532 95</u>
Supervisor:	
Salary	12 375 37
Miscellaneous	31 79
	<u>12 407 16</u>
Elections:	
Salaries	2 575 25
Supplies	284 75
Professional services	884 10
Printing and publishing	2 319 60
Miscellaneous	87 39
	<u>6 151 09</u>
Assessor:	
Supplies	37 00
Professional services	19 041 50
Tax statement preparation	2 251 92
Miscellaneous	389 17
	<u>21 719 59</u>
Clerk:	
Salary	15 800 00
Salary – deputy	100 00
Supplies	606 70
Miscellaneous	20 06
	<u>16 526 76</u>
Board of Review:	
Fees and per diem	1 227 48
	<u>1 227 48</u>
Treasurer:	
Salary	14 700 00
Salary – deputy	120 00
Supplies	427 06
	<u>15 247 06</u>
Building and grounds:	
Communications	1 294 14
Insurance	1 830 48
Utilities	3 948 08
Repairs and maintenance	2 056 00
	<u>9 128 70</u>
Cemetery:	
Wages	590 00
Supplies	183 00
Repairs and maintenance	6 329 38
	<u>7 102 38</u>
Ambulance:	
Per diem	715 00
Contracted services	9 476 73
	<u>10 191 73</u>

TOWNSHIP OF CLYDE  
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2005

Fire protection:	
Wages	21 170 00
Contracted services	44 238 17
Insurance	6 669 52
Utilities	1 181 75
Repairs and maintenance	6 030 51
Supplies	6 179 85
Miscellaneous	2 195 31
	<u>87 665 11</u>
Police protection:	
Contracted services	20 171 38
	<u>3 363 75</u>
Zoning Inspector	
Planning – zoning:	
Fees and per diem	6 295 00
Contracted services	5 116 76
Printing and publishing	1 014 85
Supplies	708 75
	<u>13 135 36</u>
Highways and streets:	
Contracted services	59 143 23
	<u>1 805 84</u>
Street lighting:	
Utilities	
Sanitary landfill:	
Salaries and wages	2 865 00
Maintenance and repair	10 260 00
Miscellaneous	266 60
	<u>13 391 60</u>
Capital outlay	92 159 00
Total Expenditures	<u><u>412 070 17</u></u>

TOWNSHIP OF CLYDE  
Allegan County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>117 76</u>	<u>1 308 148 03</u>	<u>1 308 099 57</u>	<u>166 22</u>
<u>Liabilities</u>				
Due to General Fund	117 76	225 625 75	225 577 29	166 22
Due to others	<u>-</u>	<u>1 082 522 28</u>	<u>1 082 522 28</u>	<u>-</u>
Total Liabilities	<u>117 76</u>	<u>1 308 148 03</u>	<u>1 308 099 57</u>	<u>166 22</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

September 9, 2005

To the Township Board  
Township of Clyde  
Allegan County, Michigan

We have audited the financial statements of the Township of Clyde for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Clyde in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Clyde  
Allegan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Clyde began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.



To the Township Board  
Township of Clyde  
Allegan County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants